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## **OPERATIONAL ASPECTS OF DEPOSIT ACCOUNTS**

### **PPB CHAPTER – 5 MODULE A BY ASHISH SIR**

*Jaiib PPB Module A Chapter 5 Part 5*

#### **Other Operational Guidelines**

##### **Statements of Account/Pass Books**

##### **Issuance of Passbooks to Savings Bank (SB) Account Holders**

##### **1. Convenience of Passbooks:**

- Handy, compact, and preferred by small customers.
- Avoids issues such as the need for filing, risk of loss, or obtaining duplicate statements.

##### **2. Mandatory Facility:**

- Banks must **offer passbooks to all individual SB account** holders.
- Monthly statements are to be provided if passbooks are not preferred.

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- No charges should be levied for passbooks or statements.

### Updating Passbooks

- Customers should update passbooks regularly.
- For large entries requiring the passbook to be held back, issue a **token** with receipt and collection dates.

### Legible Entries in Passbooks/Statements

- Avoid unclear terms like “by clearing” or undecipherable codes.
- Use clear and understandable descriptions for transactions, especially for ECS and EFT entries.

### Passbook Handling Precautions

- To prevent fraud:
  - Accept and return passbooks **against tokens**.
  - Store passbooks securely under lock and key with a responsible official.
  - Provide **self-service passbook updating kiosks** where possible.

### Monthly Statements of Account

- Sent monthly, staggered if necessary, with proper customer notification.

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### Indication of Nomination

- Include **"Nomination Registered"** on the title page of passbooks for accounts with registered nominations.

### Branch Address/Phone Number

- Full branch address and telephone number must be included in passbooks/statements.

### MICR and IFSC Codes

- Include **MICR Code** and **IFSC Code** in passbooks/statements for convenience.

## Issuing Cheque Books and Handling Cheques

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### Dispatching Cheque Books

- Cheque books must be **securely delivered** to depositors.
- Banks should not force customers to accept risk disclaimers when sent by courier.

### Language of Cheques

- Printed in **Hindi and English**. Customers may write cheques in **regional languages**.

### National Calendar (Saka Samvat)

- Cheques bearing dates in **Saka Samvat** are valid and must be accepted if otherwise in order.

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## Multicity/Payable-at-All-Branches Cheques

- **CBS-enabled banks** must issue “payable at par” or multicity CTS-2010 cheques to all eligible customers without extra charges.

## Payment of Cheques

Before posting, verify:

- **Cheque Leaf:** Valid and from the current chequebook.
- **Date:** Not post-dated or stale.
- **Details:** Payee name, [matching amounts (figures and words)]. *Ten thousand only*
- **Signature:** Properly signed with stamps (if required).
- ✓ **Balance:** Sufficient funds available.
- ✓ **Alterations:** Properly authenticated.
- **Instructions:** No stop payment or legal restrictions exist.

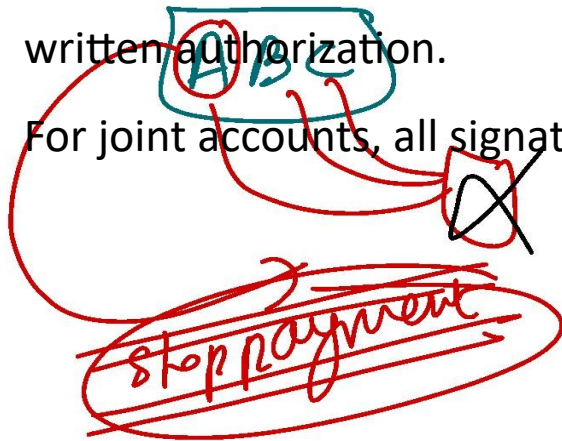
## Stop Payment of Cheques

- Record the **time and date** of receipt.
- Check if the cheque is already paid.
- If unpaid, promptly record instructions to stop payment.
- Banks are liable if payments are made after stop instructions.

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## Revoking Stop Payment

- Customers can revoke stop payment instructions with written authorization.
- For joint accounts, all signatories must approve.



LEARNING SESSIONS

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**Cheque Truncation System (CTS)**

2010

The Cheque Truncation System (CTS) was introduced by the Reserve Bank of India (RBI) to clear cheques electronically without physically moving them between banks. Instead, electronic images of cheques are used for clearing. This system has been fully operational since February 1, 2008, and MICR-based cheque processing has been discontinued.

**Key Features of CTS**

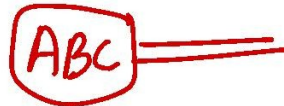
**1. Truncation Concept**

- Physical cheques stop moving after being converted into electronic images by the presenting bank or clearing house.
- These images, along with data like MICR information and bank details, are shared with the paying bank for processing.

**2. Characteristics of CTS**

- Only banks and clearing houses can truncate cheques.

- Truncation occurs during the clearing cycle to save time.
- **Physical cheques are stored securely** after truncation.
- **Digital signatures may be added** to ensure authenticity.



## Benefits of CTS

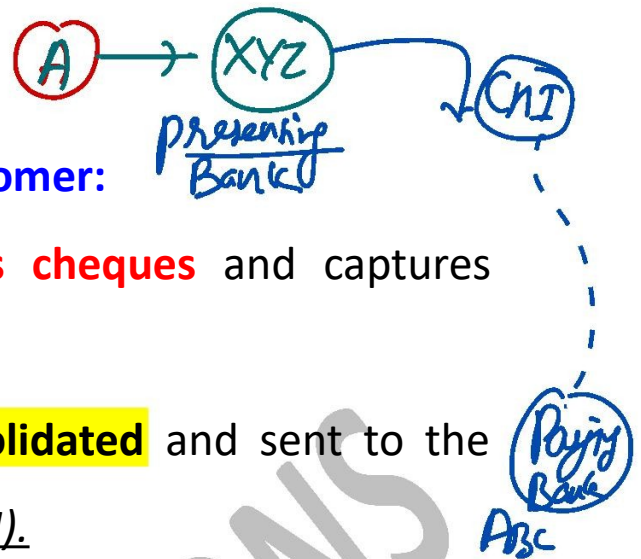
### For Banks:

- **Cost Savings:** Fewer clearing locations and no need for physical cheque processing.
- **Efficiency:** Faster clearing cycles reduce liquidity requirements.
- **Security:** Eliminates risks of loss, tampering, or pilferage during transit.

### For Customers:

- **Faster Clearing:** Reduced cheque clearing time.
- **No Geographic Constraints:** Cheques are cleared seamlessly across jurisdictions.
- **Cost Savings:** **No outstation cheque or speed clearing charges within the same CTS grid.**

## How CTS Works (Process Flow)



### 1. Cheque Presentation by the Customer:

- The **presenting bank scans cheques** and captures MICR data.
- **Data and images are consolidated** and sent to the Clearing House Interface (CHI).

### 2. Clearing Process:

- The **Clearing House calculates settlement figures** and sends the data to the paying bank.

### 3. Payment Processing by the Paying Bank:

- Based on images and data, payment decisions are made.
- **Any unpaid instruments are returned the next day.**

### 4. Settlement:

- The **Clearing House finalizes the net settlement** for all banks.
- **Banks must maintain sufficient balance in their RBI accounts to meet obligations.**

**5. Clearing Cycle:** Includes one presentation clearing session and one return clearing session daily.



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## Customer and Bank Responsibilities

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### For Customers:

→ Language, different ink

- Use only CTS 2010-compliant cheques.
- Write clearly and legibly, ensuring all details are complete (date, payee name, amount).
- Avoid alterations; use a new cheque if needed.
- Keep the MICR band clear of any marks or overwriting.

### For Banks:

- Ensure cheques comply with CTS 2010 standards.
- Perform due diligence, including verifying cheque authenticity and detecting tampering.
- Capture high-quality images during scanning.

**In CTS, three images of a cheque are captured:**

1. Front (Gray Scale): For detailed clarity.
2. Front (Black & White): For OCR processing.
3. Back (Black & White): To capture endorsements and stamps.

## GRID-BASED CLEARING SYSTEM

CTS operates on a grid system, dividing India into three grids:

1. Northern Grid: Delhi

2. **Western Grid:** Mumbai

3. **Southern Grid:** Chennai

- Banks send scanned cheque data to the respective clearing house in their grid.
- **Settlement for all banks within the grid occurs centrally.**

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### Security Measures in CTS



- Use of **Public Key Infrastructure (PKI)** to ensure data integrity and prevent unauthorized access.
- **Image Quality Assessment (IQA)** ensures clear, legible images are used for processing.

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### Positive Pay System (PPS)



Introduced by RBI in January 2021, **this system enhances cheque security by reconfirming details of high-value cheques (₹7,50,000 and above).**

- **Customers share cheque details** (date, payee name, amount) with the drawee bank via SMS, mobile apps, or internet banking.
- **Banks cross-check these details** with the cheque presented for clearing.
- **Discrepancies are flagged for resolution.**

- **Banks may make PPS mandatory** for cheques above ₹75,00,000.

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## **RBI GUIDELINES ON COLLECTION OF INSTRUMENTS**

The Reserve Bank of India (RBI) provides **comprehensive guidelines for the collection of cheques and other instruments** to ensure transparency, protect customer interests, and improve banking practices. Here's a simplified breakdown:

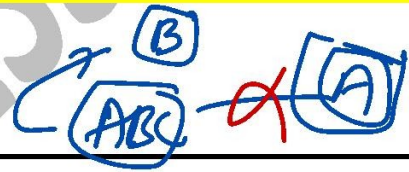
### **1. Cheque Collection Policies (CCP)**

Banks are required **to create clear, transparent policies** for cheque collection covering the following areas:

- ✓ **Immediate Credit:** When and how customers can get immediate credit for local/ outstation cheques.
- ✓ **Time Frame for Collection:** Maximum time taken for clearing local or outstation cheques.
- ✓ **Interest for Delayed Collection:** Compensation for customers if the clearing process exceeds the stipulated time.

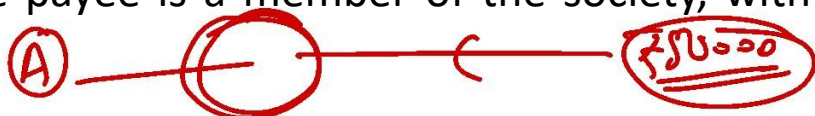
### Key Principles:

1. Banks should ensure their **CCP is comprehensive** and customer-centric.
2. The **collection period should be reduced** wherever possible.
3. **Small depositors' interests** must be protected.
4. **Compensation for delays** should be automatic, without requiring a claim from customers.
5. **Compensation is at the savings bank (SB) interest rate if no other rate is specified in the CCP.**



### 2. Collection of Account Payee Cheques

- **Strict Guidelines:** RBI prohibits crediting an account payee cheque to anyone other than the payee mentioned on the cheque.
- **Exceptions:** If the drawer or payee wants the cheque credited to another account, they must issue a fresh cheque or remove the account payee restriction.
- **Co-operative Societies:** For cheques below ₹50,000, banks can credit the account of a co-operative credit society if the payee is a member of the society, with a



written representation from the society confirming compliance.

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### 3. Payment of Cheques, Drafts, and Pay Orders

- **Validity Period Reduced:** The validity of cheques, drafts, pay orders, and banker's cheques has been reduced from six months to **three months** since April 1, 2012.
  - **Reason:** To prevent misuse by circulating these instruments as cash for extended periods.
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### 4. Cheques/ Instruments Lost During Processing

When cheques are lost during transit, clearing, or at the paying bank's branch:

1. The bank must **inform the account holder immediately** to take corrective actions, such as stop payment.
  2. **Responsibility Lies with the Collecting Bank:** The bank must compensate the customer for expenses incurred in obtaining duplicate instruments and for any delays.
  3. If the cheque is lost at the paying bank's branch, the collecting bank can recover reimbursed amounts from the paying bank.
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## 5. Bills for Collection

- Bills requiring collection at another branch or bank should be forwarded directly from the lodging branch to the realising branch.

## 6. Payment of Interest for Delays in Collection of Bills

- Banks must pay **interest at 2% above the SB account rate** for delays in bill collection.
- The **normal transit period** is calculated as:
  - 2 days for dispatch of bills.
  - 2 days for presentation to drawee.
  - 2 days for remittance of proceeds.
  - 2 days for crediting the proceeds to the drawer's account.

If the delay is due to the drawee's bank, the lodger's bank can recover interest from the drawee's bank.

